

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-10 IO-13

ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06

AGRE-00 AID-05 CIAE-00 COME-00 INR-07 LAB-04

NSAE-00 OIC-02 SIL-01 STR-06 TRSE-00 CEA-01 SS-15

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FM USMISSION GENEVA

TO SECSTATE WASHDC 4855

INFO AMEMBASSY LILONGWE

AMEMBASSY BONN

AMEMBASSY BUENOS AIRES

AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

AMEMBASSY COLOMBO

AMEMBASSY DACCA

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USEEC

E.O. 11652: N/A

TAGS: UNCTAD, ETRD

SUBJECT: UNCTAD COMMODITIES: FIRST PREPARATORY MEETING
ON TEA

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1. SUMMARY: DISCUSSIONS ON AN INTERNATIONAL PROGRAM FOR
TEA REMAINED IN A HOLDING PATTERN. THE FIRST PREPARATORY
MEETING ON TEA IN UNCTAD ACCOMPLISHED LITTLE MORE THAN TO
RATIFY THE OUTCOME OF THE FIFTH FAO INTERGOVERNMENTAL GROUP
ON TEA HELD LAST OCTOBER AND TO ENTRENCH THE POSITIONS
STAKED OUT IN THAT MEETING. SUBSTANTIVE DISCUSSIONS WERE

PUT OFF UNTIL THE FAO AND UNCTAD SECRETARIATS COMPLETE A REPORT ON THE FEASIBILITY OF TEA STOCKING ARRANGEMENTS AND OTHER STABILIZATION MEASURES. THE ONLY DECISION WAS ON A SCHEDULE FOR FUTURE MEETINGS. MOST USEFUL DISCUSSIONS TOOK PLACE IN PRIVATE DISCUSSIONS AT LUNCH AND DINNER WITH VARIOUS DELEGATIONS ORGANIZED BY PRIVATE INDUSTRY ADVISORS ON US DELEGATION. END SUMMARY.

2. THE MEETINGS GOT OFF TO A SLOW START OWING LARGELY TO THE DELAY BY THE PRODUCERS IN AGREEING TO A JOINT STATEMENT. THE EC AND THE US TOOK THIS CHANCE TO MAKE GENERAL REMARKS. THE EC REAFFIRMED ITS SUPPORT FOR THE POINTS OF AGREEMENT REACHED IN THE OCTOBER FAO MEETING AND URGED THAT THE FEASIBILITY STUDY ADDRESS EXPORT QUOTAS AS WELL AS STOCKING MEASURES. THE US REPRESENTATIVE (STREEB) TOOK EXCEPTION TO THE PESSIMISTIC OUTLOOK FOR THE TEA MARKET EXPRESSED IN THE PRODUCERS' AND THE UNCTAD SECRETARIAT'S REMARKS AND REITERATED US SUPPORT FOR TEA PROMOTION EFFORTS. THE US DELEGATE ALSO MADE CLEAR US SUPPORT FOR FURTHER EFFORTS TO DETERMINE WHETHER AN ARRANGEMENT COULD BE WORKED OUT THAT WAS BOTH DESIRABLE AND FEASIBLE.

3. AFTER THREE DAYS OF EFFORT, PRODUCERS ISSUED A STATEMENT WHICH DID LITTLE MORE THAN REITERATE THEIR POSITION AT THE LAST FAO MEETING. THEY INDICATED THEIR INTENTION TO PROCEED TOWARD NEGOTIATIONS OF AN INTERNATIONAL AGREEMENT BASED ON THE OBJECTIVES AND MEASURES OF THEIR INTERNATIONAL LIMITED OFFICIAL USE

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PROGRAM FOR TEA. THEY ALSO RECOMMENDED THAT A PRODUCERS WORKSHOP BE HELD UNDER UNCTAD, FOLLOWED BY A SECOND PREPARATORY MEETING BY NEXT OCTOBER. THIS LEFT TWO ISSUES BEFORE THE CONFERENCE--THE FUTURE WORK PROGRAM AND THE STATUS OF THE PRODUCERS' STATEMENT IN THE FINAL REPORT.

4. THESE ISSUES WERE RESOLVED IN A MEETING OF A SMALL CONTACT GROUP TO DRAFT THE DECISIONS OF THE MEETING. ON THE WORK PROGRAM, THE GROUP DECIDED TO HOLD A MEETING OF AN EXPERTS GROUP BY JUNE AND ANOTHER PREPARATORY MEETING BY OCTOBER. IT ALSO NOTED THAT A PRODUCERS WORKSHOP (PROBABLY SPONSORED BY UNDP) WOULD MEET JUST BEFORE THE EXPERT GROUP'S MEETING. UNCTAD-FAO PROMISED TO PROVIDE THE FEASIBILITY STUDY BY NO LATER THAN THE FIRST OF MAY. ON THE STATUS OF THE PRODUCERS' STATEMENT, THE US, BACKED BY THE EC, SOUGHT TO ASSURE THAT THE FINAL REPORT REFLECTED RESERVATIONS ON SPECIFIC ASPECTS OF THE PRODUCERS' STATEMENT, PARTICULARLY ITS REFERENCE TO PROTECTION OF REAL EARNINGS FROM TEA, AND ON INDIA'S EXPORT TAXES. THE RAPPORTEUR, JOHN DAVIES OF THE UK, WHO IN PRIVATE CONVERSATIONS HAD OFTEN EXPRESSED HIS CONCERN THAT THE MEETING WAS GOING BACKWARD FROM THE OCTOBER FAO MEETING, ALSO

SUGGESTED THAT THE AREAS OF AGREEMENT REACHED IN FAO BE INCLUDED AS A THIRD ANNEX. AFTER CONSIDERABLE VACILLATING, THE PRODUCERS FINALLY AGREED TO THIS RECOMMENDATION. DESPITE SECRETARIAT INTENTION TO PREPARE ONLY COMMUNIQUE-TYPE REPORT, THE ADDITION OF ANNEXES COVERING PRODUCERS PAPER AND COMMENTS FROM THE CONSUMERS PROVOKED OTHER DELEGATIONS TO SEEK INCLUSION OF THEIR VIEWS IN THE RECORD. NET RESULT WAS A REPORT FOLLOWING TRADITIONAL PATTERN INCORPORATING VIEWS OF EVERY PRODUCER AND CONSUMER WHO SPOKE.

5. SINCE US AND EC, AS WELL AS IRAQ, REPRESENTING GENERAL VIEW OF DEVELOPING IMPORTING COUNTRIES, ALL CALLED

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ATTENTION TO INDIA'S EXPORT DUTY SCHEME, INDIA PREPARED A DETAILED DEFENSE OF ITS POSITION. IN GENERAL, INDIA ARGUED THAT ISSUE WAS PROPERLY ONE FOR DISCUSSION IN THE GATT AND NOT IN THE CONTEXT OF A COMMODITY AGREEMENT. HOWEVER, IT LIMITED OFFICIAL USE

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PRESENTED THE RATHER NOVEL ARGUMENT THAT SINCE ONE OF THE OBJECTIVES OF RESOLUTION 93(IV) IS TO PROMOTE PROCESSING IN LDCS AND SINCE EXPORT DUTIES APPLIED TO BULK TEA BUT NOT TO PACKAGE TEA SERVED TO PROMOTE PROCESSING IN INDIA, SUCH DUTIES ARE CONSISTENT WITH THE OBJECTIVES OF RESOLUTION 93(IV). US TOOK STRONG EXCEPTION TO YET ANOTHER ATTEMPT AT INTERPRETATION OF 93(IV). INDIA LATER RELAXED ITS POSITION WHEN PREPARING A STATEMENT TO BE INCLUDED IN THE REPORT. EC TRADE INDICATED PRIVATELY IT WOULD NOT AGREE TO A TEA STABILIZATION AGREEMENT IF SUCH DUTIES ARE LEFT IN PLACE.

6. COMMENT: A GENERAL FEELING PERVADED THROUGHOUT THIS MEETING OF A CERTAIN INEVITABILITY TO HAVING A STABILIZATION AGREEMENT ON TEA. WHILE SOME MAJOR INTERESTS WITHIN THE EC (AND EVEN SOME PRODUCERS, PARTICULARLY TANZANIA, KENYA, MALAWI AND ARGENTINA) ARE VERY SKEPTICAL THAT MANY OF THE PROBLEMS ASSOCIATED WITH OPERATION OF A QUOTA SCHEME SUPPORTED BY BUFFER STOCKS COULD EVER BE WORKED OUT, THE EC AT THE SAME TIME BELIEVES THAT POLITICAL MILEAGE CAN BE OBTAINED BY A COMMITMENT TO THE DESIRABILITY OF AN AGREEMENT. EVEN THE FRG APPEARS PREPARED TO PARTICIPATE IN THE NEGOTIATIONS SINCE ITS IMPORT INTERESTS ARE VERY MINOR. AT THE START OF THE WEEK IT APPEARED THAT SOME OF THE UK WILLINGNESS TO BE SO FORTHCOMING WAS BASED ON A BELIEF THAT KENYA WOULD NEVER AGREE TO A QUOTA SCHEME WHICH MOST PARTICIPANTS AGREED WOULD BE ESSENTIAL TO ANY STABILIZATION AGREEMENT. BY THE END OF THE WEEK WITH THE WORD BEING SPREAD PRIVATELY THAT KENYA HAD AGREED WITH INDIA AND SRI LANKA TO CONSIDER SUCH A SCHEME, UK INDUSTRY THEN SHIFTED TO RELIANCE ON EVENTUAL DIFFICULTIES WITH ALLOCATIONS OF QUOTAS AND/OR ESTABLISHMENT OF A REFERENCE FLOOR PRICE AS HURDLES WHICH COULD NOT BE OVERCOME AND HENCE WOULD SCUTTLE ANY POSSIBLE AGREEMENT. IN THE FACE OF WHAT APPEARS LIMITED OFFICIAL USE

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TO BE COMMITMENT BY MOST DELEGATIONS FOR AN AGREEMENT AND IN LIGHT OF THE LANGUAGE AGREED TO IN ROME TO WORK TOWARDS AN

AGREEMENT, USDEL FELT IT IMPERATIVE TO MAKE AN INTERPRETIVE STATEMENT TO INDICATE US HAS NOT YET DECIDED THAT THERE IS A NEED FOR AN AGREEMENT. FROM THIS VANTAGE POINT IT APPEARS THAT THE US AT THIS TIME STANDS ALONE ON THE ISSUE OF DESIRABILITY AND NECESSITY FOR A TEA AGREEMENT. SOME DELS MAY HAVE CONCLUDED THAT IF THE EC SUPPORTS CALLING FOR A NEGOTIATION, THE US WOULD, AS A RELATIVELY SMALLER IMPORTER, BE OBLIGATED TO FOLLOW THE EC'S LEAD.

7. THE INCORPORATION OF AGREEMENTS IN FAO INTO THE UNCTAD MEETING CLEARLY INDICATES A NEED FOR A MUCH CLOSER COORDINATION OF US POSITIONS IN OTHER FORA SUCH AS THE FAO WHEREVER COMMODITIES ARE INCLUDED UNDER THE UNCTAD INTEGRATED PROGRAM. USDEL WAS FACED WITH AN AGREEMENT IN FAO WHICH, ALTHOUGH IT INDICATED NO MORE THAN AGREEMENT TO WORK TOWARD AGREEMENT, WAS INTERPRETED BY OTHER DELEGATIONS AND THE FAO AND UNCTAD SECRETARIATS AS AGREEMENT THAT A TEA AGREEMENT IS NECESSARY AND WILL BE NEGOTIATED. FROM A REVIEW OF THE PREVIOUS POSITION PAPERS AVAILABLE TO THE DELEGATION, THERE DOES NOT APPEAR TO HAVE BEEN ANY SUCH DECISION IN THE US GOVERNMENT. END COMMENT. SORENSON

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